

# THE GOVERNANCE OF LOCAL PRODUCTIVE ARRANGEMENTS (LPA) FOR THE STRATEGIC MANAGEMENT OF GEOGRAPHICAL INDICATIONS (GIS)<sup>1</sup>

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## 1. Introduction and Methodological Procedures

One of the main characteristics of the organizational environment is the need for companies to act together in order to be competitive in the market (LASTRES and ALBAGLI, 1999; ERBER, 2008). Thus, organizational models based on association, complementarity, sharing and mutual collaboration are gaining increased prominence in the literature (OLAVE and NETO, 2001).

Moreover, in the search for competitiveness, Porter (1989) cites the importance of grouping companies (clustering) according to spatial positioning. Thus, regions and locations have become important variables in studies of competitiveness (FUINI, 2006).

In contemporary society, the idea of localized productive agglomeration is linked to the concept of competitiveness. In this understanding, the organizational forms of clusters, local productive arrangements (LPAs) and geographical identifications (GIs) become the object of public policies, but above all, a space for collective actions (CASSIOLATO and SZAPIRO, 2003; FUINI, 2006; VICARI, 2009).

This article treats LPAs and GIs approaches as complementary, since both concepts seek competitiveness and sustainability from geographical regions. Essentially, the LPA is a way of organizing the local productive process, whereas the GI is a way of adding value to products, mainly agricultural, based on certification of origin and quality (CALDAS et al., 2005).

However, obtaining the advantages and differentials of both organizational arrangements depends on coordinating the capacity of the actors for standardization of production, through criteria for quality, and especially communication with markets, disseminating information through collective brands and certifications (CALDAS et al.,

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2005). That is, the coordination and alignment of interests among the parties becomes crucial to ensure good governance of the LPA, and proper use of market benefits of the GI (AMORIM et al., 2004).

Based on the above, this article explores two related research questions: first, why a good governance of an LPA is fundamental to the implementation of a collective strategy (and brand) like a GI?; second, how the local governing body of an LPA can assume the role of managing the geographical indication (GI) on behalf of all producers of a geographical region?

To answer the questions, the article makes use of two integrated and complementary research methods: literature review (desk research) and case study. Desk research about LPA, GI and governance of private interest associations (PIAs); and, two case studies of LPAs of coffee (Cerrado Mineiro Region) and fruits (Jaíba Region) in the Brazilian state of Minas Gerais.

The cases have as unit of analysis, the LPA, and as subunits: (i) the local governing body (business model and monetization structure); (ii) the territorial brand and market positioning (marketing strategy); (iii) the governance (decision-making process) of the local governing body. Because of a space limitation, the article presents a joint analysis of both cases (YIN, 1989).

In the end, a cyclical analysis between theoretical review and case studies gives rise to theoretical propositions or analytic generalizations that can guide future studies related to the topic (BONOMA, 1985; EISENHARDT, 1989; WOODSIDE and WILSON, 2003). These are learning points for LPA governance and strategic management of GIs.

## 2. Literature Review

### 2.1. Definition of LPA and related concepts

In discussions on clusters or LPAs, the concept of network is a key element in the formation of these inter-organizational arrangements. The network approach brings various, related topics, such as, the physical boundaries of the organization; interaction of the organization with its environment; coordination of the economic activities of the actors to achieve common goals; intra and inter-firm cooperation; strategic alliances and formal and informal contracts; the interdependence of firms and complementarity of resources and capabilities; shared goals, etc. (JARILLO, 1988; MILES and SNOW, 1992; BROWN and BUTLER, 1995; JONES et al., 1997; HATCH, 1997; DYER and SINGH, 1998).

In this context, a more prominent form of network configuration in the Brazilian literature is the LPA, which can be defined as a territorial agglomeration of economic, political and social actors, focused on a specific set of economic activities, and that maintain tangible and/or intangible links between them, even if incipient (LASTRES and CASSIOLATO, 2003; 2005; SANTOS et al., 2004).

In the concept of LPA, the importance of the territory is clear, not only as a division of geographical space, but mainly as a network of social relationships, with trust being the connecting links (CALDAS et al., 2005; VILLELA and PINTO, 2009). Oliveira and

Bruni (2009) argue that clusters and LPAs are concepts used with little differentiation between them, and are often interchangeable. Because of it, for the purposes of this study, the term cluster is regarded as similar to LPA.

The subject of LPAs is of great interest to public policy makers and private organizations because of the economies generated - such as development of specialized labor and suppliers of raw materials, components and services -, and for externalities obtained - such as generation of indirect jobs, tax revenue, GDP growth, positive trade balance, technological innovation, etc. (CASSIOLATO and SZAPIRO, 2003; SUZIGAN et al., 2004; SANTOS et al., 2004; LASTRES and CASSIOLATO, 2005; ERBER, 2008; VICARI, 2009).

However, it is known that collective action among the actors is the key to success for survival and competitiveness of an LPA. Collective actions include the purchase of raw materials, promotion of managerial training and professional education courses, creation of export consortia, establishment of technological centers for collective use and credit unions, among others (LINS, 2000; SUZIGAN et al., 2004; CEZARINO and CAMPOMAR, 2006; SUZIGAN et al., 2007).

Finally, for collective action, an LPA should seek an agreement between the local actors, in order to organize their demands in a single development plan (CALDAS et al., 2005). For that, development agencies such as the *Serviço Brasileiro de Apoio às Micro e Pequenas Empresas* [Brazilian Service for Support of Micro and Small Companies] (SEBRAE)<sup>i</sup> should support the elaboration, implementation and control of strategies in LPAs by strengthening the local governing body.

## 2.2. Geographical indications (GIs) as an LPA strategy

An example of collective action that can guide the strategy of an LPA is the search for a geographical indication (GI). One can conceptualize the term GI as the identification of a product or service based on its origin from a locality, region or country, which guarantees a certain reputation, characteristic and/or differentiated quality. That is, a GI is a guarantee of origin of the product and/or its regional qualities and characteristics (VALENTE et al., 2013).

There are two types of GIs: the Indication of Source (IS) and the appellation or Designation of Origin (DO). Formally, an IS adds value to the product or service primarily by ensuring its geographical origin, independent of other characteristics. Yet, the DO is a guarantee that the differentiated qualities or characteristics of the product or service are due exclusively or essentially to the geographical environment (CALDAS et al., 2005).

In this sense, there are three variations of the GI as a brand: first, it is a territorial brand that aims to identify the products or services that originate from a particular geographical region; second, it is a collective brand, which belongs to the whole community located inside the geographical region; third, it is a brand of certification, which attests the conformity of a product or service with certain standards or technical specifications, especially regarding quality, production method and materials used (KOTLER and HAIDER, 1994; ANHOLT, 1998; KOTLER and GERTNER, 2002; HADJICHARALAMBOUS, 2013).

In Brazil, GIs are regulated by the law no. 9279/96, which gives the *Instituto Nacional da Propriedade Industrial* [National Institute of Industrial Property] (INPI) the legal authority to register GIs (CALDAS et al., 2005; VALENTE et al., 2013).

The recognition and registration of GIs by the INPI require certain steps and procedures: the drafting of regulations (standards) to use the geographical name; definition of the geographical area; proof of the reputation of the region (in the case of IS); and/or quality of the particular product or service due to the geographical environment (in the case of DO) (VALENTE et al., 2013).

In the Brazilian case, the orientation of government agencies, active participation of research and educational institutions, and technical and financial support of development agencies like SEBRAE, are of fundamental importance in obtaining the registration of GIs. However, a local governing body, representative of all the local social actors in the region, has to be responsible for coordinating the GI process.

Therefore, the decision-making process of these local governing bodies (and their boards) are critical success factors in the implementation of the strategy related to GI in LPAs.

### 2.3. Governance and Decision-making process in LPAs

The term governance has been used by different authors and theoretical approaches, which has reflected in the different definitions and understandings related to the term (WILLIAMSON, 1985; JONES et al., 1997; DUCA, 1996; CORNFORTH, 2003; RODRIGUES and MALO, 2006).

As seen, a LPA involves public or private, economic, political or social actors. These relationships need to be coordinated, organized, and sometimes controlled. Governance of an LPA can be understood as structures and modes of coordination of the participation of diverse actors in the decision-making processes, decentralizing and sharing power, accommodating interests that sometimes conflict, and ensuring the achievement of collective actions (AMORIM et al., 2004; LASTRES and CASSIOLATO, 2005; VILLELA and PINTO, 2009; TEIXEIRA and TEIXEIRA, 2011; PIRES et al., 2011).

In Brazilian LPAs, mixed forms of governance are mostly common. Development agencies like SEBRAE place the State as the great intermediating agent of governance of the LPA. Regardless, the intention of the government's participation must always be to transform joint governance into private-collective one, strengthening the local governing body (FUINI, 2013). Therefore, the body assumes the role of governance of the LPA, having the characteristics of a private interest association (PIA).

The stability and continuity of the body depends on an alignment between the forms of contribution (monetization) and governance (decision-making processes) and organizational (execution of actions) structures (NASSAR and ZYLBERSZTAJN, 2004; RODRIGUES and MALO, 2006; CONEJERO, 2011). And this alignment may occur by configuring multiple and inter-related instances of authority, arranged so that all members can participate in the strategic management of the association, guided by the mission, vision and values that united them (MALO, 2001; CONEJERO, 2011).

In a practical way, the local governing body must have at least three forums or decision-making instances. A superior board, which brings together contributing members, elected by a general assembly, and has the deliberative role of deciding which collective actions will be prioritized. Added to this are several committees and working groups, which combine participation of members with the work of hired managers, responsible for putting in motion the strategic projects of the organization. Finally, advisory councils composed of representatives from leading institutions such as universities, research institutes, associations, cooperatives, and development agencies (AMORIM et al., 2004; MARINO, 2005; CONEJERO, 2011).

The decision-making process must be democratic and transparent enough to avoid the mistrust of members. It is a very common perception that: (i) not all are equal in the association, and the degree of influence in the collective is proportional to the economic power of each; and (ii) that most are only invited to 'endorse' or 'legitimize' actions and strategies already defined by a small group. Also, additional care must be taken with regard to interference from governmental institutions in the decision-making process of the governing body of the LPA, which ends up being harmful to the attitude and proactivity of the group (VILLELA and PINTO, 2009).

### 3. Case Studies

#### 3.1. Overview of the LPA in the Jaíba Region

The *Jaíba* Region is a Brazilian LPA recognized for its irrigated fruits such as '*prata*' banana, '*tahiti*' lemon, '*palmer*' mango and '*formosa*' papaya. The *Jaíba* Region encompasses the municipalities of Jaíba, Matias Cardoso, Verdelândia, Janaúba, Porteirinha, Nova Porteirinha and Itacarambi, all located in the northern region of the Brazilian state of Minas Gerais. This region is characterized by a semiarid climate, and soils with good physical and chemical characteristics, which, combined with irrigation, can be very productive.

The irrigated fruits production in the *Jaíba* Region involves approximately 1,000 producers, which cultivate an area of over 10,000 ha. More recently, processing plants and fruit packing houses were aggregated to the cluster. In the domestic market, the fruits are directed to the commercialization and distribution centers in the main capitals of Brazil. The region also exports part of its mango and lemon production to Europe.

The region is still in the process of registering its GI, or the IS, with the INPI, and therefore cannot reap the market benefits of the territorial brand. When this registration process is complete, producers intend to 'sell' the following differentials of the region: flavor quality/potential; healthfulness (low use of chemicals/ pesticides); versatility (irrigation permits two and a half crops a year); and sustainability (integration of 'caatinga' vegetation and agriculture).

### 3.2. Overview of the LPA in the Cerrado Mineiro Region

The *Cerrado Mineiro* Region is a Brazilian LPA recognized for the production of differentiated coffees. It is situated between the Triângulo Mineiro, Alta Paranaíba and northwest of the state of Minas Gerais.

This region has flat topography, a proper altitude and dry weather at harvest time, which ensure a region ideal for the mechanized cultivation of high quality coffee. Moreover, producers in the region have achieved high productivity gains with the use of irrigation technology and strong fertilization of the poorest soils. The producers also try to keep costs under control with professional management and high economies of scale.

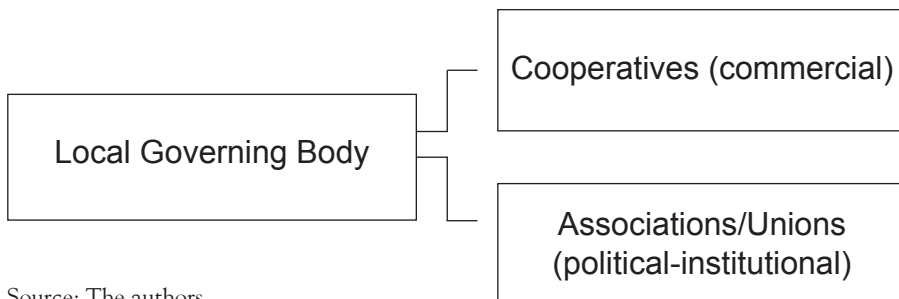
The coffee production in *Cerrado Mineiro* Region involves approximately 3,500 growers. The total annual production in the area demarcated by the GI is 5 million bags of coffee (60 kg each), 60% of which scores over 75 points in the SCAA methodology (Specialty Coffee Association of America), which ensures a high quality beverage.

The *Cerrado Mineiro* Region was demarcated in 2013, with the DO issued by INPI, based on the following resources: the unique sensory attributes of the coffees produced; the production of a high quality coffee, with competitive costs; the pioneering and entrepreneurship of the producers creating a new production area; the culture of association among the farmers of this region.

### 3.3. Local governing body (business model and monetization structure)

While, in the *Jaíba* Region, the *Associação Central dos Fruticultores do Norte de Minas* [Central Association of Fruit Farmers in the North of Minas] (ABANORTE) assumes the role of local governing body (LGB) of the LPA; in the *Cerrado Mineiro* Region, this role is played by the *Federação dos Cafeicultores do Cerrado* [Federation of Coffee Growers of the Cerrado] (FEDERACAO). In both cases, the associated members can be divided into: cooperatives, on one side, as the commercialization arm; and associations or rural unions on the other, as the political-institutional arm (Figure 1).

Figure 1. Associated Members of the LGB.



Source: The authors.

In terms of monetization, each member pays a contribution fee (monthly) so that they may enjoy the services of the LGB. In the case of ABANORTE, members pay a fixed monthly amount, which is equal for all, independent of revenue size or number of associated producers. In the case of the FEDERACAO, a value added tax (VAT) works as the contribution mechanism: when the coffee is sold to the cooperatives of the system, and passing by their warehouses, a percentage of its value goes to sustain the activities of the LGB.

Moreover, in both cases, the LGB survives from other revenues such as 'pay per use', in which payments are made according to the use of certification (quality and origin), besides a royalty for the use of IG (brand). Table 1 summarizes the monetization structure of LGB.

**Table 1 - Structure of LGB monetization**

Types of revenue	Sources	% of total revenue	
		Jaíba Region	Cerrado Mineiro Region
Recurring revenue	<ul style="list-style-type: none"> <li>Contribution tax for members (monthly)</li> </ul>	10%	3%
'Pay per use' revenue	<ul style="list-style-type: none"> <li>Fee for certification of quality and origin</li> <li>Royalty for use of brand</li> <li>Fee for access to the market intelligence database</li> </ul>	42%	58%
Revenue from partnerships	<ul style="list-style-type: none"> <li>Public and private resources for marketing/communication events, personnel training/education, market research activities, and R&amp;D</li> </ul>	38%	38%
Others	<ul style="list-style-type: none"> <li>Rental property, donations, investments, etc.</li> </ul>	10%	1%

Source: The authors.

In both cases, it is clear that the role of the LGB is to represent, manage and promote the geographical region. This means: the LGB (i) represents the origin, producers and products of the region; (ii) controls the origin, quality of products and use of the brand and GI; and finally, (iii) promotes the region, producers and products through the brand and GI. Table 2 summarizes the LGB business model.

Table 2 - LGB Business Model

Pillar of action	Area of operation	Activities
Representation	Political/ Institutional	<ul style="list-style-type: none"> <li>• Representation of producers and the region in the institutional and political forums;</li> <li>• Registration of brand and GI with the regulatory bodies;</li> <li>• Attracting public investment or special financing on the region.</li> </ul>
	Certification/ Traceability	<ul style="list-style-type: none"> <li>• Protection and control of use of the brand and GI;</li> <li>• Issue certification of quality and origin.</li> </ul>
Control	Technical Assistance and Training	<ul style="list-style-type: none"> <li>• Offer technical, socio-environmental and management courses and technical assistance through institutional partners;</li> <li>• Funding and organization of resources and partners to conduct courses.</li> </ul>
	Applied Research	<ul style="list-style-type: none"> <li>• Formalization of agreements with universities and research institutes, and obtaining sponsorship from private companies;</li> <li>• Investment in researches and experimental centers;</li> <li>• Dissemination and transfer of the technological package to producers.</li> </ul>
Promotion	Market Intelligence	<ul style="list-style-type: none"> <li>• Maintain database of member producers updated;</li> <li>• Research and studies on creating and capturing value for producers.</li> </ul>
	Marketing/ Communication	<ul style="list-style-type: none"> <li>• Dissemination and promotion of the brand and GI in external/foreign events;</li> <li>• Search for markets and attracting foreign investment;</li> <li>• Capture and organization of resources and partners to organize or sponsor events;</li> <li>• Conducting educational, commercial, technical and social events in the region.</li> </ul>

Source: The authors.

### 3.4. Territorial brand and market positioning (marketing strategy)

In general, the LGB aligned its strategy with the strategy of the territorial brand. In this way, working on strategic projects linked to the pillars of the business model, the LGB wants to reach mission and vision proposals.

The vision of the ABANORTE is 'to make the *Jaíba* region a new global benchmark in fruit growing', while its institutional mission is to 'demystify the potential of fruit and fruit growing of the *Jaíba* region for producers, governments, markets and people', i.e., sell the concept of 'fruit culture'.

In turn, the FEDERACAO established the following vision: 'to make the *Cerrado Mineiro* Region a reference for the new world of coffee 'attitude,' in terms of producers, the region and products'. The institutional mission is to 'integrate, develop and connect people, influencing the transformation and evolution of coffee culture'.

In both cases, the success of the strategy depends directly on the engagement and commitment of producers to adapt their crops and products to the principles and criteria for certification of quality and origin. Moreover, because the certified products are intended for a specialty industry and/or retail, and targeted to a consumer willing to pay for a differentiated and high quality product, the production needs to be in sufficient volume to permit the dissemination of knowledge of the brand.



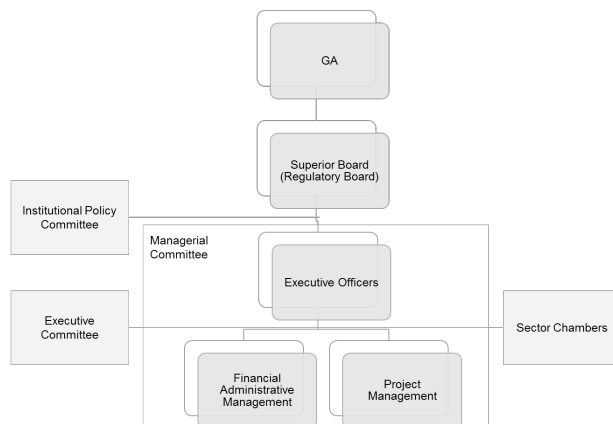
In general, producers who want to place the seal of origin and territorial brand on their products, in conjunction with the brands of their farms, must meet the following requirements:

1. The property must be located within the demarcated area by the GI;
2. The producer must be a member of one of the cooperatives, associations or rural unions linked to the LBG, and have its registration and member fees up-to-date;
3. The producer has to sign a state of responsibility concerning the adoption of good agricultural practices, the rational use of agricultural inputs for the crop, the use of proper equipment and ways of applying them, as well as meeting the labor conditions and other matters relating to compliance with current Brazilian environmental, social and labor legislation. The signature is dispensed when the producer already has *Globalgap* or *Rainforest Alliance* certifications;
4. The batch of the product must be delivered in a cooperative (warehouse or packing house) authorized to issue the seal of origin and seal the batches;
5. The product batches must meet the ratings and quality levels established by the regulatory board of the brand and GI, so as to receive the seal of origin and quality.

### 3.5. Governance (decision-making process) of the LGB

In general, the organizational structure of the LGB has decision-making forums distributed between levels of governance and management. While the general assembly (GA) and the superior/regulatory board of the brand and GI are part of the level of governance; the executive officers, managers, committees (executive, political-institutional, management) and sectorial chambers belong to the level of management. Figure 2 depicts the organizational structure of the LGB and the components of the decision-making forums.

Figure 2. Organizational structure of the LGB and decision-making forums.



Source: The authors.

The GA is the supreme forum of the LGB, in which members, both cooperatives and associations, have seats (and voting rights). The GA meets annually, or by special session, taking its decisions by simple majority, and has the following functions: (i) election of members of the superior board (and regulatory); (ii) approval of accounting from management (economic and financial reporting and activities) for the previous year, and the strategic plan and budget for the current year.

The superior board (and regulatory of the brand and GI) is composed of elected representatives of the members, entitled to unit vote, plus the chief executive officer (CEO) of the LGB, which has the casting vote. If the CEO is unable to participate, other executive officer will assume the position of mediator. The members of the superior board have a term of two years, with the possibility of reelection. The superior board meets every three months, taking decisions by simple majority, and has the following functions: (i) approve the strategic plan and budget, and monitor its implementation; (ii) adopt principles, criteria and the process of certification of origin and quality; (iii) rights and duties in the use of the territorial brand and penalties for noncompliance; (iv) election of the executive management team.

The executive management team is composed of elected representatives of producers and members, and is unpaid, with one CEO, one vice president, and an administrative and financial controller. To avoid possible conflicts of interest, executive decisions are made in a managerial committee, in common agreement between the executive officers and managers. The managers are employees, with full time dedication, and are divided into two equally relevant positions: administrative and financial management and project management. The managerial level has the support of other staff, allocated between strategic projects.

The managerial committee meets monthly, and its functions include: (i) to discuss the performance bottlenecks of the LGB and propose improvements; (ii) to prepare and coordinate the implementation of the strategic plan, in particular the process of certification of quality and origin; (iii) to enter into strategic partnerships; (iv) to approve the member contribution rates and price list for services.

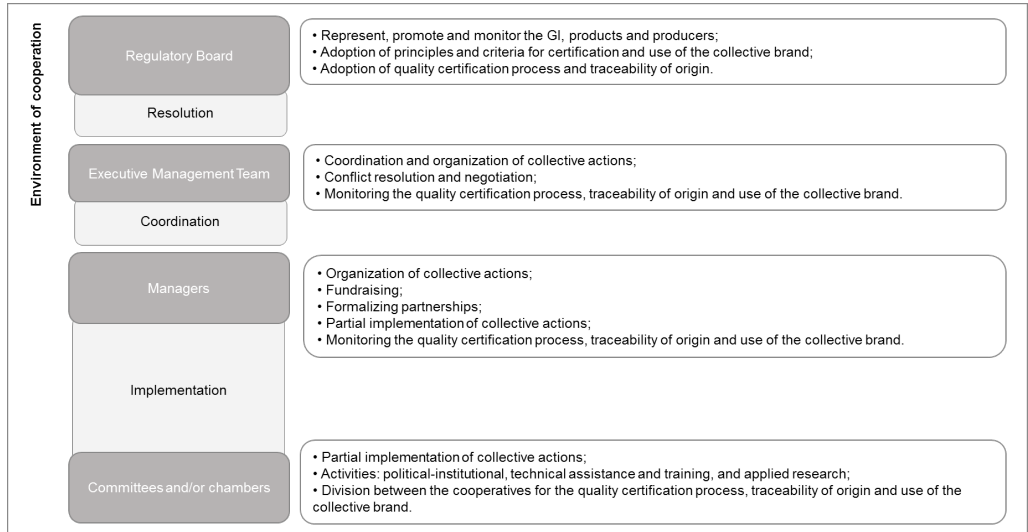
In addition to the managerial committee, there are three types of working groups, which meet monthly under the leadership of managers to discuss the agenda of strategic issues. First is the institutional committee, which brings together members interested in discussing the institutional policy agenda and research and training actions. Second is the executive committee, which brings together members of cooperatives, responsible for the implementation process of certification of origin and quality, and those interested in the strategy of commercial promotion of the brand and GI.

Finally, the sectorial chambers, exclusive of the ABANORTE case, whose meetings of members are segmented by topics of interest of each of the major crops of the region, i.e., there is a sectorial chamber for each crop.

With management of the certification of origin and quality, and the territorial brand, as the master lines of action of the LGB, the association must distribute the power of decisions related to the various decision-making forums. Each forum has its own policy of jurisdiction. The regulatory board deliberates, the executive management

team coordinates/monitors, while the managers and the committees/sectorial chambers execute. Figure 3 details the decision-making process around certification and use of the collective brand.

**Figure 3. Representation of the decision-making process in the LGB.**



Source: The authors.

#### 4. Theoretical propositions and learning points

The case studies revealed that the local governing body (LGB), as a private interest association (PIA), is a heterogeneous group, and therefore needs to have in its internal structure, be it governance or management, a balance of power. This implies shared decision-making forums, representative of all interest groups, and that effectively seek only common interests (OLSON, 1999; MALO, 2001; RODRIGUES and MALO 2006). So we can build the proposition: *1) The body that represents local governance of the LPA is a sum of heterogeneous interest groups, and therefore needs to be a neutral figure.*

The case studies also showed that both constitute an LPA, and have the shared strategy to seek market exploitation of the GI, although in different evolutionary phases. While one already has the DO (Cerrado Mineiro Region), the other is still in the process of registering the IS (Region of Jaíba). However, representation, control and promotion of the GI, producers and their products, apply to everyone, since, under the Brazilian law, the representative body of the GI cannot exclude any producer within the defined area, whose product meets the stipulated quality requirements (VALENTE et al., 2013). Then we can offer the proposition: *2) The local governing body of the LPA has the role to represent, control and promote the interests of the entire LPA, not only its members.*

However, it can also be observed that the certification of origin and use of the territorial brand are accessible only to those who are associated with the LGB, responsible for putting in place the technical standards and specifications, as well as the process of certification of origin and quality. Moreover, even among members, only producers who present products in accordance with the standard of quality have the right to make use of the certificate of origin and territorial brand in their individual marketing strategy (CHADDAD, 1996; GLASS and CASTRO 2009; SCHIMIDT, 2010; VALENTE et al., 2013). So we can define the proposition: 3) *Access to the certificate of origin and territorial brand is restricted to members of the local governing body, and to use them, compliance with the good practices of production and other specific quality standards are necessary.*

In the theoretical discussion, it was shown that a major point of conflict is the payment of the contribution for maintenance of the LGB, whether fixed or variable by business size (NASSAR and ZYLBERSZTAJN 2004; CONEJERO, 2011; NEVES et al., 2011). In these cases, it is verified that the member rate is insufficient for maintenance of the entity, and the search for alternative sources of revenue are needed. As a result, the 'pay per use' type revenues, such as the fees for certification of origin and quality, and royalties from use of the territorial brand, assume the role of protagonist in the financial sustainability of the LGB. Then we can suggest the proposition: 4) *the fees for certification of quality and origin, and royalties from use of the territorial brand, are an important source of revenue for financial self-sufficiency of the local governing body.*

Although the certificate of origin and quality represents a market differential to be exploited, not all consumers are willing to pay for the added value of the territorial brand. This is an important theoretical finding on the demand side (LAGES et al., 2005; GIORDANO 2009; GLASS and CASTRO, 2009). On the supply side, not all producers are prepared to meet certain quality requirements for certification of origin. Even considering the production from a single producer, the entire volume produced cannot meet the required level of quality, so he seeks to segment only the best quality batches for certification (CHADDAD, 1996; GLASS AND CASTRO, 2009; SCHMIDT, 2010; VALENTE et al., 2013). Therefore, naturally, the volumes involved are small and the consumers are exclusive, which characterizes a niche market. In any event, the territorial brand has a positive impact on the image of the products from the entire region, whether certified or not (KOTLER and HAIDER, 1994; ANHOLT, 1998; KOTLER and GERTNER, 2002; MOREIRA, 2010). So we can share the proposition: 5) *Market acceptance of the certificate of origin and territorial brand as a source of added value depends on a marketing strategy aimed at niche markets.*

From the theoretical point of view, it is clearly important to use the territorial brand in a co-branding arrangement with the brands of producers, in order to transmit the reputation of the collective brand to the individual brands without shadowing or cannibalizing them (HADJICARALAMBOUS, 2013). Moreover, in the cases analyzed, the LGBs sought to reconcile the certification of origin with other certificates of quality and sustainability (*Globalgap* and *Rainforest Alliance*) required by the market, giving dynamism to the certification process, avoiding rework by the producer, and enhancing the practice

of co-branding in communication with the consumer. The we define the proposition: 6) *The success of the certificate of origin and territorial brand depend on a co-branding arrangement in order to avoid competition with the individual brands of producers and other certificates of quality and sustainability demanded by the market.*

In the theoretical discussion, one can see the importance of the superior or regulatory board in the governance of the PIA, in order to avoid the problem of agency and conflict between the members. In this context, once the roles of forums are well defined, the decision-making process needs to invite the participation of member groups (MALO, 2001; MACHADO FILHO et al., 2006; CONEJERO, 2011). Therefore, the cases show the compatibility of the integration of the administrative board of an LGB with the regulatory board of the GI, without conflicts of interest. This only requires that the integrated board represents all, and preserves the roles of representing, controlling and promoting the GI, its producers and products, regardless whether or not they are members of the LGB (VILLELA and PINTO, 2009; VALENTE et al., 2013). So we can provide the proposition: 7) *The regulatory board of the GI, the territorial brand and the certificate of origin may be shared, without conflict of interest, with the administrative board of the local governing body of the LPA.*

Also as already mentioned, the power and decision-making forums of the LGB need to be decentralized, democratic and representative of all members. Furthermore, the participation of members cannot be restricted to decision-makers, but it is also vital to count on the collaboration of them to compose the so-called working groups or committees, and to work collectively with managers hired from the LGB. This gives legitimacy to the process of strategic management, as members not only deliberate but also coordinate and execute strategic projects (MALO, 2001; AMORIM et al., 2004; MARINO, 2005; VILLELA and PINTO, 2009; CONEJERO, 2011). An important detail found in the cases is the importance of installing the decision-making and executive forums in different localities of the GI and LPA. One good strategy to get the involvement of all localities related to the GI and LPA is to organize rotating meetings of boards and committees, one in each city involved. So we can suggest the proposition: 8) *For legitimacy of the local governing body of the LPA, power and decision-making forums need to be distributed among different member groups and the different localities that make up the LPA.*

Each decision-making and executive forum needs to have its policy of jurisdiction, so that members interested in participating in the decision-making process are aware of the role of each forum, and how they can participate without hurting the installed hierarchy and rules of participation (MALO, 2001; AMORIM et al., 2004; MARINO, 2005; VILLELA and PINTO, 2009; CONEJERO, 2011). Then we can generate the proposition: 9) *Each decision-making forum has its policy of jurisdiction, which ensures the participation of all members in decision-making process, but with limits.*

All of these theoretical propositions offer a sectorial agenda related to the theme of LPAs and GIs for policy makers and entrepreneurs. In this sense, the aim was to contribute to the development of agriculture in Brazil.

## 5. Conclusions and recommendations

The work presented here joins to many others that demonstrate the importance of horizontal coordination between the producers for approaching the final consumer with an offer of value. But unlike others, seeks to emphasize the need for alignment and coordination of producers' relationships in order to be possible to implement good strategies like GI.

There are some final remarks, which could serve as an empirical contribution to the development of LPAs and GIs in Brazil. First, it is vitally important to be a market-driven LPA, that is, to keep a continuous search for better understanding of the demand and the value-adding factors to the offer.

Second, that market orientation must be translated into a strategy, like that related to the GI. In this sense, the collective construction of the strategy is preferable to simple intervention from support institutions with ready-made solutions. Collective action can ensure better confidence of the participants and allow an empowerment of the process by the leaders of LGB.

Thirdly, the attempt to implement the strategy is more important than the simple development of the same. Even before approving the strategy in the decision-making forums of the LGB, it should be recommended to go for implementation on a small scale, so that when the strategy is submitted for approval, the LGB's management already has a well-defined idea of how to implement and the final format to be adopted.

Fourth, a good strategy is worthless if there is no good governance and management system for its implementation. In the private interest associations (PIAs), as well as in NGOs, all stakeholders want to participate, so the organization of the decision-making process becomes crucial. More than transparency, clear criteria and standards to vote and be voted are the key to the process not to be cluttered and / or inefficient, which may ultimately inhibit the changes.

Fifth, a private interest association (PIA) lives a frequent drama of limited resources, especially financial, and so suffers to adopt and / or implement a strategy. Therefore, the successful strategy depends on good monetization structure, which ensures not only the survival of the organization, but especially to capture value generated by services offered, such as the origin and quality certification, and territory brand represented by the GI.

It is worth commenting that although the process of formation and development of LPAs, and the search for recognition of GIs, can occur naturally or spontaneously through the collective action of farmers, the work of development agencies and funding entities, whether public or private, is important to the effectiveness of this work. The challenge, however, is to avoid the dependency of the LPA in relation to these development agencies. Therefore, the strengthening of local governance body (LGB) and its governance (and the decision-making process) are necessary, so that collective action can work independently, managerially and financially speaking.

## Note

i The SEBRAE is a private, non-profit organization created in 1972, which promotes partnerships between the public and private sectors, with the goal of developing training programs, encouraging associations, territorial development and access to markets.

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# THE GOVERNANCE OF LOCAL PRODUCTIVE ARRANGEMENTS (LPA) FOR THE STRATEGIC MANAGEMENT OF GEOGRAPHICAL INDICATIONS (GIS)

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**Abstract:** The organizational forms of LPAs and GIs become the object of public policies, but above all, a space for collective actions. The article explores two questions: first, why a good governance of an LPA is fundamental to the implementation of a collective strategy (and brand) like GI?; second, how the local governing body of an LPA can assume the role of managing the GI on behalf of all producers of a geographical region? To answer them, the article makes use of two research methods: desk research and two case studies of LPAs of coffee (Cerrado Mineiro Region) and fruits (Jaíba Region) in the Brazilian state of Minas Gerais. Finally, a cyclical analysis gives rise to theoretical propositions, which are learning points to the theme of governance and strategic management of LPAs and GIs.

**Key words:** LPA, GI, Territorial Brand, Governance, Decision Process.

**Resumo:** As formas organizacionais de APLs e IGs tornaram-se objetos de políticas públicas, mas sobretudo, um espaço para ações coletivas. O artigo explora duas questões: Por que a boa governança de um APL é fundamental na implementação de uma estratégia (e marca) coletiva do tipo IG?; Como a entidade de governança local do APL pode assumir o papel de gestão da IG em nome de todos os produtores de uma região geográfica? Para respondê-las, o artigo faz uso de dois métodos de pesquisa: revisão da literatura (desk research); e casos de APLs de café (Região do Cerrado Mineiro) e frutas (Região do Jaíba) no Estado de Minas Gerais. Finalmente, uma revisão cíclica de teoria e dados dá origem a proposições teóricas, que são tratados como pontos de aprendizado para o tema da governança e gestão estratégica de APLs e IGs.

**Palavras-chave:** APL, IG, Marca Territorial, Governança, Processo Decisório.

**Resumen:** Las formas organizacionales de APL e IG se han transformado en objetos de políticas públicas, pero, sobre todo, en un espacio para acciones colectivas. El trabajo toca dos cuestiones: ¿Por que la buena gobernanza de un APL es fundamental para la implementación de una estrategia (y marca) colectiva del tipo IG?; ¿Como la entidad de gobernanza local del APL puede asumir el papel de gestión de la IG en nombre de todos

los productores de una región geográfica?. Para contestar estas preguntas, el trabajo utiliza dos métodos de investigación: revisión de literatura (desk research) y casos de APLs de café (Región del Cerrado Mineiro) y frutas (región del Jaíba) en la Provincia de Minas Gerais. Finalmente, una revisión cíclica de teorías y datos del origen a las proposiciones teóricas, que son trabajados como puntos de aprendizaje para el tema de la gobernanza e gestión estratégica de APLs e IGs.

*Palabras-clave:* APL, IG, Marca Territorial, Gobernanza, La Toma de Decisiones.

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